

(c) *Licensee's adoption of policy.* Your board of directors or general partners will be solely responsible for adopting your Valuation Policy and for using it to prepare valuations of your Loans and Investments for submission to SBA. If SBA reasonably believes that your valuations, individually or in the aggregate, are materially misstated, it reserves the right to require you to engage, at your expense, an independent third party, acceptable to SBA, to substantiate the valuations.

(d) *Frequency of valuations.* (1) If you have outstanding Leverage or Earmarked Assets, you must value your Loans and Investments at the end of the second quarter of your fiscal year, and at the end of your fiscal year.

(2) Otherwise, you must value your Loans and Investments only at your fiscal year end.

(3) On a case-by-case basis, SBA may require you to perform valuations more frequently.

(4) You must report material adverse changes in valuations at least quarterly, within thirty days following the close of the quarter.

(e) *Review of valuations by independent public accountant.* Your independent public accountant must review only valuations performed as of the end of your fiscal year. The accountant's responsibility includes reviewing your valuation procedures and the implementation of such procedures, including adequacy of documentation. The accountant also has reporting responsibilities concerning the results of this review.

**§ 107.504 Computer capability requirements of Licensee.**

You must have a personal computer with a modem, and be able to use this equipment to prepare reports (using SBA-provided software) and transmit them by modem to SBA.

**§ 107.505 Facsimile requirement.**

You must be able to receive fax messages 24 hours per day at your primary office.

**§ 107.506 Safeguarding Licensee's assets/Internal controls.**

You must adopt a plan to safeguard your assets and monitor the reliability

of your financial data, personnel, Portfolio, funds and equipment. You must provide your bank and custodian with a certified copy of your resolution or other formal document describing your control procedures.

**§ 107.507 Violations based on false filings and nonperformance of agreements with SBA.**

The following shall constitute a violation of this part:

(a) *Nonperformance.* Nonperformance of any of the requirements of any Debtenture, Participating Security or Preferred Security, or of any written agreement with SBA.

(b) *False statement.* In any document submitted to SBA:

(1) Any false statement knowingly made; or

(2) Any misrepresentation of a material fact; or

(3) Any failure to state a material fact. A material fact is any fact which is necessary to make a statement not misleading in light of the circumstances under which the statement was made.

**§ 107.508 Accessible office.**

You must maintain an office that is convenient to the public and is open for business during normal working hours.

**§ 107.509 Employment of SBA officials.**

Without SBA's prior written approval, for a period of two years after the date of your most recent issuance of Leverage (or the receipt of any SBA Assistance as defined in part 105 of this chapter), you are not permitted to employ, offer employment to, or retain for professional services, any person who:

(a) Served as an officer, attorney, agent, or employee of SBA on or within one year before such date; and

(b) As such, occupied a position or engaged in activities which, in SBA's determination, involved discretion with respect to the granting of Assistance under the Act.

MANAGEMENT AND COMPENSATION

**§ 107.510 SBA approval of Licensee's Investment Adviser/Manager.**

You may employ an Investment Adviser/Manager who will be subject to